

MINNESOTA DEPARTMENT OF COMMERCE
POLICY REGARDING TERRITORY EXPANSION
for TOWNSHIP MUTUALS

Township mutual insurance companies may, *if the Commissioner has granted approval*, operate in 10 adjoining counties in the aggregate subject to a maximum of 20 counties, and adjoining cities with a population of 25,000 or greater, but less than 150,000. Township mutuals must meet the following requirements to be considered for approval:

- 1) Township mutuals are required to have the following minimum policyholders' surplus as reported in the company's latest Annual Statement filed with the Commissioner to be authorized in the following number of counties in Minnesota:

10 Counties	\$ 500,000
11 Counties	\$ 600,000
12 Counties	\$ 700,000
13 Counties	\$ 800,000
14 Counties	\$ 900,000
15 Counties	\$1,000,000
16 Counties	\$1,100,000
17 Counties	\$1,200,000
18 Counties	\$1,300,000
19 Counties	\$1,400,000
20 Counties	\$1,500,000

- 2) Township mutual insurance companies are required to have a minimum policyholders' surplus of \$1,000,000 to be approved by the Commissioner to write business in a city with a population of 25,000 or greater.
- 3) Township mutual insurance companies are required to meet the following operating conditions to be approved for expansion:
 - a) Net written premiums must not exceed 2 times policyholders' surplus.
 - b) Net income must be reported in 3 of the past 5 years.
 - c) Policyholders surplus must not have declined by more than 10% in the prior year or 15% over the prior two years.
- 4) Township mutual insurance companies are required to submit the following items to the Commerce Department when seeking approval of the Commissioner to expand their authorized territory beyond nine counties **or** to be approved to write business in a city with a population of 25,000 or greater:
 - a) *Amended and Restated Articles of Incorporation*. Provide a list of the counties in which the company is currently authorized. The additional counties and cities with a population of 25,000 or greater that the company would like to add to its territory must also be listed and maps provided. Approval for cities with a population of 25,000 or greater will require that the individual cities be named in the Articles of Incorporation and the Articles **must** be restated.
 - b) *Income statement* ("unaudited") as of the end of the most recent quarter.
 - c) *Reinsurance agreement* effective at the time the request is submitted.
 - d) *BUSINESS PLAN*, at a minimum, should include responses to all items included on the MN Department of Commerce website and indicate how the company intends to service the new territory.
 - e) *Projected income statements* for the current year and the next two fiscal years using a conservative estimate for projected losses. The method used must be demonstrated if incurred losses are projected to be less than the average of the prior five years. Provide the projected total direct written premiums for each year and the number of policyholders at the end of each year. Include a detailed breakdown of the company's projected operating expenses for the current year and next two fiscal years using the same categories as listed in Exhibit 8 on Page 9 of the Annual Statement. July/2009